

**NOMINATIONS OF CHARLES E. COBB, JR.,
AND ROGER F. MARTIN**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

THE NOMINATIONS OF

CHARLES E. COBB, JR., OF FLORIDA, TO BE AN ASSISTANT SECRETARY
OF COMMERCE, VICE HAROLD PETER GOLDFIELD, RESIGNED

AND

ROGER F. MARTIN, OF WISCONSIN, TO BE A MEMBER OF THE FEDERAL
HOME LOAN BANK BOARD FOR THE REMAINDER OF THE TERM EX-
PIRING JUNE 30, 1989, VICE LEE H. HENKEL, JR., RESIGNED

JULY 22, 1987

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**THE NOMINATIONS OF CHARLES E. COBB, JR.,
OF FLORIDA, TO BE AN ASSISTANT SECRE-
TARY OF COMMERCE, VICE HAROLD PETER
GOLDFIELD, RESIGNED**

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**U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
*Washington, DC.***

The committee met at 12:12 p.m., in room SD-538 of the Senate Dirksen Office Building, Senator William Proxmire (chairman of the committee) presiding.

Present: Senators Proxmire, Sarbanes, Dixon, Sanford, Shelby, Graham, Garn, Heinz, D'Amato, Bond, Chafee, and Karnes.

Also present: Senator Kasten.

The CHAIRMAN. Mr. Martin, I am going to ask Senator Kasten to introduce you, and then we will go back to questioning Mr. Ruder.

OPENING STATEMENT OF SENATOR KASTEN

Senator KASTEN. Mr. Chairman, first of all, thank you, and I want to say thank you to the members of the committee to accommodate our schedule.

Mr. Chairman, I am proud to have an opportunity to introduce to you a fellow Wisconsinite. I am happy to be here today, and it is a pleasure for me to introduce to you—not to you, because you know him, but to this committee, a good friend of mine, Roger F. Martin, who has been nominated by the President to fill a seat on the Federal Home Loan Bank Board.

Roger is from Mequon, WI. Happens to be a town very close to my home area of Thiensville.

After receiving a degree in accounting from Xavier University in Cincinnati and attending Columbia University's Graduate School of Business, Roger Martin went to work for the Masonite Corp. He rose through the ranks to become assistant vice president. In 1969, he began a successful 5-year stint as general manager of the Air

Line Pilots Association and then he joined Mortgage Guaranty Insurance Corp., MGIC, of Milwaukee, one of the largest private mortgage insurers in the country, and he came to MGIC in 1974.

As the senior vice president of MGIC and also a Director of the Federal Home Loan Bank Board in Chicago, Mr. Martin has developed great expertise in, and I would also say a shrewd understanding of the savings and loan industry and the thrift industries, in general.

I would like to mention also that Roger Martin has served as Chairman of the President's Advisory Committee on the Pension Benefit Guaranty Corporation. In this capacity, as chairman of that advisory committee, he led the effort to formulate recommendations that helped that troubled institution get back on its feet.

So he has got, I believe, a unique combination of talents. This is important, because the savings and loan industry is in very serious difficulty now. We need people on the Home Loan Bank Board, who both understand the S&L industry and who have experience working with the Congress and with the executive branch.

Mr. Chairman, I believe, and I hope you agree, that Roger Martin passes with flying colors the questions and the characteristics that we look to in terms of the experience in both the Federal Government areas, the administrative branch of government, the private sector and, throughout it all, a real track record of accomplishment and of progress.

I enthusiastically, Mr. Chairman, recommend him for the Federal Home Loan Bank Board, and I hope that you and your committee will look upon him with favor and that—will move this nomination of the President's with expedition. We have got time questions, as you know better than I. I think that the sooner that this position is filled, the faster we are going to be able to deal with some of the very, very important questions that are facing the S&L industry and the Federal Home Loan Bank Board.

I thank you, Mr. Chairman, and I hope that we are able to move quickly on this outstanding nomination.

OPENING REMARKS OF CHAIRMAN PROXMIRE

The CHAIRMAN. Thank you very much, Senator Kasten. Before you leave, I can't resist pointing out some things about the nominee. I am just going to take a minute, and I do apologize. There is no question that the nominee, in my view, is very, very well qualified. I think it is wonderful that a man with this fine background is willing to go to the Home Loan Bank Board, which is probably the hottest operation in town, the toughest. You have to be a masochist to take that on. [Laughter.]

Well, let me say what I can't resist. The reason I am interrupting is this. Your political contributions were interesting. Ronald Reagan Campaign Committee 1980 and 1984, about \$1000 each year; \$500 to \$750 each year since 1987, the Republican Party of Wisconsin. \$1,000 to Senator Kasten for 1980 election. 1986, Senator Kasten, \$500. Completed a pledge of \$2,000 over 4 years. \$1,000 from his wife and himself. Vice President Bush, \$1,000. Congressman Toby Roth, \$500 Republican Party of Wisconsin, \$750 to \$1,000. Congressman Sensenbrenner, \$500. George Watts, candidate

for Governor, \$900. Senator Dole, \$500. Republican Party of Wisconsin, January and April, \$500.

So you have a very clean record there, sir. [Laughter.]

Although I am a Democrat, nobody's perfect. [Laughter.]

At this point I would like to insert a statement of Senator Karnes in the record.

OPENING STATEMENT OF SENATOR DAVID K. KARNES

Senator KARNES. Mr. Chairman, I am particularly pleased to be able to comment about this nominee to the Federal Home Loan Bank Board. I have known Mr. Martin for several years when I served as counsel at the Federal Home Loan Bank Board in Washington, DC., and as chairman of the Topeka Federal Home Loan Bank. Roger's proven leadership skills which I can personally attest to will be critical in his new role on the Bank Board.

Roger Martin is an individual of the highest integrity and judgment who brings to the FHLBB a wealth of successful and practical experience in the financial and real estate world which will be invaluable to the entire savings and loan industry. He is highly regarded by his peers both in the private as well as the public sectors.

I believe that each member of the Federal Home Loan Bank Board has, at this time, an unprecedented number of critical issues to address not the least of which includes thrift regulation and recapitalization of the FSLIC. Mr. Martin's new responsibilities may well rival some of the challenges facing Dr. Greenspan who also testified for nomination before this body this week. You have a big job in front of you and I wish you the best. Please know that this committee is extremely interested in the revitalization of the thrift industry and I encourage you to keep us apprised of the progress of that revitalization and any problems that you encounter that need legislative assistance.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

OPENING STATEMENT OF SENATOR GRAHAM

Senator GRAHAM. Mr. Chairman, I appreciate the opportunity to make these remarks now. I apologize. It is my time to preside at noon, and I am going to have to be leaving shortly and will not be able to participate in the questioning of Mr. Charles Cobb, but before I left, I wanted this opportunity to introduce Mr. Cobb to the committee.

We are frequently called upon to introduce someone whose only affinity is that we share the same State. That is not the case with Mr. Cobb, who is an individual that I have known closely and in many capacities over the last several years.

Chuck Cobb is an unusually gifted human being. He has participated in a wide range of civic and business activities within our State and each one has benefited by his special contribution. He will bring to this important position, intellect, a high standard of personal ethics and energy, as well as a unique insight into America's role in the world.

I had the particular opportunity to work with Mr. Cobb on a number of economic development activities relating to both domestic and international but never to recruiting businesses from Wisconsin while I was Governor of Florida. I believe that Mr. Cobb in his position as Assistant Secretary for Trade Development will not only be an effective part of the marketing process of American products to the world but also will bring the ability to assess our total competitiveness position and will be a valuable part of the process of decisionmaking and policy formulation, as it relates to America's position in the global economy.

I know the sacrifice that Mr. Cobb is going to make, not only in moving from his home in Florida to a home here in Washington, but also personally, financially, both Chuck and his wife, Sue, who is with him today, are exemplary citizens of our State. I know he will serve with distinction, and I hope at the conclusion of his service, will return to Florida.

I am proud to introduce Chuck Cobb.

The CHAIRMAN. Thank you very much.

Our next nominee is Charles Cobb, who has already been introduced by the distinguished Senator from Florida.

Mr. Cobb has been nominated to be the Assistant Secretary for Trade Development of the Department of Commerce. He has a very impressive background. He is a Californian and moved to Florida, which shows he has a lot of courage. He is a Harvard Business School—he is a Stanford Business School graduate, who was selected by Harvard Business School Club of South Florida as Business Statesman of the Year. He is a man who shows a catholic taste in politics.

Listen to this one. 1980, Democratic Party of Florida. Then he turned around and gave \$1,000 for Reagan for President. 1983, Askew for President, a Democrat, \$1,000. Penn Central PAC, \$500. And then he showed his real distinction, 1985, Reelect Paula Hawkins, \$2,000. Friends for Bob Graham, \$2,000.

And then he showed particularly fine judgment in 1986, when he gave Claude Pepper \$500 and Orrin Hatch \$500.

That shows you are a man with a very broad ideological spectrum.

And we are delighted to have you with us, Mr. Cobb.

Do you have an opening statement you would like to make?

Mr. COBB. Yes, sir. Senator, I have a quick three-page comment, but I would like to submit it to you for the record, and I will just extemporaneously summarize that, if I could, sir.

STATEMENT OF CHARLES E. COBB, JR., NOMINEE TO BE AN ASSISTANT SECRETARY OF COMMERCE FOR TRADE DEVELOPMENT

Mr. COBB. I thank you for the opportunity to appear here today, as you consider my confirmation for this position.

What I would like to do is just tell you, just in quick summary form, about my background. It is mostly in the private sector, 25 years, primarily with three large international companies, most recently Disney, I was on the board and involved with many of the policy and international activities of that company.

Before that, Penn Central. I started out at Penn Central as a subsidiary president, and then was a group president in charge of Arvida and Six Flags and several other subsidiary companies.

Then I was the chief operating officer of Penn Central, in charge of about 40 businesses and about 40,000 people, and many of those, international businesses. And before that, I was with Kaiser Aluminum, a subsidiary president and a group executive with that company.

So Mr. Chairman, I feel that this corporate experience, along with directorships in four or five other companies, gives me an experience to deal with the issues that trade development is facing in this country today.

Just to summarize those issues: First I have had the experience with those corporations—experiences involved with about 100 different industries from production to servicing—all types of business problems.

Second, I have been involved with some interesting promotion activities with Disney and with Six Flags, Arvida and other companies.

Last, I had some interesting international experiences, where those companies were involved in international marketing, international production, and international finance.

Senator Graham also mentioned my role in Florida where I took the lead with the business community in working with the Governor and the legislature in making Florida more competitive. We made some legislative changes and, I think, some effective marketing to make Florida a more competitive State.

So I am looking forward to taking these experiences, working with the Congress, working with the business sector, working with the other parts of the administration to make our businesses in this country more competitive, make sure they are marketed better, and make a real impact on our trade deficit and our balance of payments by increasing exports.

Mr. Chairman, I would be available for questions, if the committee would like me to answer them.

[The complete prepared statement of Charles E. Cobb, Jr. follows:]

STATEMENT BY
CHARLES E. COBB

Mr. Chairman and Members of the Committee, my name is Charles Cobb.

I am pleased to appear before you this morning as the Senate considers my nomination to be Assistant Secretary of Commerce for Trade Development.

Except for the two years that I was an officer in the Navy, I have spent my working life--some 25 years--in the private sector as a businessman. Most of my business career has been with three international corporations (The Walt Disney Company, Penn Central Corporation and Kaiser Aluminum and Chemical Corp.). At Disney, I was the Chief Executive Officer of its real estate subsidiaries and on the Board of Directors and Executive Committee of the parent corporation. At Penn Central, I had a series of responsibilities from Subsidiary President to Group President in charge of Arvida, Six Flags and other subsidiaries and was eventually the Chief Operating Officer of the entire corporation in charge of about 40 businesses and over 40,000 employees and served on the Board of Directors. At Kaiser, I was in charge of several subsidiaries. In addition to these executive positions, I served on the Board of Directors of several other companies, including a large bank, an insurance company, and a multi-industry conglomerate and several other companies. In total, I have served as a Director of four New York Stock Exchange companies.

In my judgment, my business career has provided me with a set of experiences which will be extremely helpful in carrying out the responsibilities of Assistant Secretary of Commerce for Trade Development.

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First, the companies mentioned above along with my earlier background in the investment business have given me experience in almost 100 different global businesses and industries, spanning the spectrum from a services orientation to manufacturing production.

Secondly, these experiences have given me an opportunity to be involved in international marketing, international production and international finance.

Thirdly, I have had the pleasure of being involved in some very exciting and successful marketing and promotional programs, especially at Disney, Arvida, and Six Flags.

Lastly, I have had the opportunity to be one of the key participants to work with Senator Graham, while he was Governor of Florida, in building Florida's economy to where it is recognized as a leader in business expansion.

I have attempted to bring to each of these positions a long-term strategic perspective to problem solving. Decisions were made with a view toward the bottom line--but it was not tomorrow's or next year's bottom line that was the focus of my attention. Rather, the 5- to 10-year future position of the product, the company, or the industry was the context in which I formulated objectives and developed and implemented programs for achieving those objectives. I would also point out that marketing--both the communication of the company's objectives to its employees and the shareholders, and the selling of the product to the public--was a significant component of my involvement with each of these companies.

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I believe that this experience can be brought to bear on the trade development and competitiveness problems that the United States is currently facing. We are at a crossroads in our economic history. As in the past, it falls to the United States to be the leader in strengthening the international trading system. We are currently experiencing a period of unprecedented business expansion and employment growth. The task that the government and the business community face is correcting any dislocation that may result from adjustment while at the same time laying the foundation for future economic growth.

My primary goal as Assistant Secretary for Trade Development would be to confront the trade challenges in two key areas: (1) assisting U.S. businesses to improve their competitiveness, and (2) working with our trading partners to increase access to their markets. If I am confirmed, I look forward to bringing my 25 years of private sector experience to bear on these dual aspects of the U.S. trade problem as I work with the Congress, other agencies of the Administration, and the private sector. I look forward to working with you and, together, enthusiastically attacking the challenges facing our economy.

I would be happy to answer any questions the Committee might have. Thank you!

The CHAIRMAN. Now two routine questions. If confirmed, do you agree to appear before duly constituted committees of the Congress to present testimony?

Mr. COBB. Yes, sir.

The CHAIRMAN. And do you pledge to this committee to abide by the recusal statements and commitments made to avoid conflict of interest that you have filed with the White House Office of Government Ethics, as well as the agency you are nominated to serve?

Mr. COBB. Yes, sir.

The CHAIRMAN. OK, sir.

Now as you know, access to trade finance is a key factor in successful U.S. exporting. We are very concerned about that, in view of our terrible adverse balance of trade.

What is your view of the role of the Export-Import Bank in facilitating access to trade finance by U.S. exporters and specifically, what are your views of the new lending policies adopted by the Bank, pursuant to legislation passed by Congress last year?

Mr. COBB. Senator, I am not totally familiar with all the strategic direction of the Eximbank, but it is contemplated I will be a director, and so I have taken some preliminary steps of reading the annual report and that is about all. But I can say that I think that the Eximbank is a critical financing source for our country's exports. As you are familiar, and the other members of the committee are familiar, many of our commercial banks have not responded in the last couple years to the calls for increased export and import financing, and clearly, Eximbank has to fill that gap. And as a director of that institution, I plan to voice my view that the Eximbank has an important role there.

The CHAIRMAN. Now you have held senior executive positions with several prominent U.S. companies, as you have told us, but most of your experience has been in domestic corporate management.

What actual experience have you had in international trade? What expertise would you bring to the position for which you have been nominated?

Mr. COBB. I would say about 10 to 15 percent of my experience in those hundred international industries that I have talked about has been in the international area, which has enabled me to be involved in many different kinds of international production problems, international marketing problems, international finance problems, as I talked about. But, you are right in your statement that a large percentage of my business has been domestic. But I think that as I interface with the seven different industry sector groups that I will be overseeing in this job, that the U.S. competitive position is as critical domestically as it is internationally. And so the perspective I will bring, Mr. Chairman, is really focused on U.S. competitive position, worldwide and domestically, because I think that is really what we need to do in our focus on where are we competitive and where aren't we.

The CHAIRMAN. Now as I understand it, as the Assistant Secretary for Trade Administration, you will have ten deputy assistant secretaries working for you.

Mr. COBB. Mr. Chairman, excuse me. It is Trade Development, not Trade Administration.

The CHAIRMAN. Trade Development.

Mr. COBB. Yes, sir.

The CHAIRMAN. It is my understanding that in that particular department—

Mr. COBB. There are ten deputy assistant secretaries, that's correct.

The CHAIRMAN. That's right. You have ten. That seems like an awful lot.

Can you tell me why there's so many of these deputies in the area you will supervise, and whether you have any plans for reducing the number

Mr. COBB. Ten is a significant managerial challenge. I look forward to responding to that managerial challenge. And it very well could be that one of my recommendations later would be to consolidate and reduce that, but I don't have a decision now, but clearly, ten—I agree with you that ten is a large number of deputy assistant secretaries.

The CHAIRMAN. They used to teach us at Harvard Business School where I went, that the span of control is about five, and I suppose at Stanford, they might have had, at least the knowledge, the understanding that ten was too many to try to supervise.

Mr. COBB. Yes. I would say at Stanford, it is more seven to eight, span of control. [Laughter.]

But I agree with you, ten is quite a few.

The CHAIRMAN. One important and unfortunate consequence of the international debt problem is that the banks with large exposure or troubled international loans are entrenching, to a degree that they do not even want to engage in financing U.S. exports to the major debtor countries.

Do you see that as a problem, and if so, do you have any proposals for dealing with it?

Mr. COBB. As I indicated earlier, yes, I do see that as a problem, because clearly, for our country to be competitive, we need good financing sources, and as the banks shrink from this responsibility, it is a problem.

I would see my role as being a business advocate to the banking community, that they must fill that responsibility, and to the extent that it is not, I would be an advocate at Eximbank to have Eximbank try to fill the gaps where commercial banks did not meet that responsibility.

The CHAIRMAN. Some of our major exporting companies say that the U.S. Government, if it is to really help increase American exports, reduce our overall trade deficit, must substantially increase the amount and type of export subsidies it makes available to our businesses.

Do you agree with that contention, and, if not, what, in your mind, are the main things the Government must do to help increase American exports? These days, we are very concerned about subsidies, because you know we are running a terrific deficit. We have to hold down spending wherever we possibly can. This might be one area where we wouldn't want to increase it.

Mr. COBB. No Senator, I disagree that increased subsidies are the answer. I think that we have made a lot of progress in the last several years, particularly—and the biggest is clearly the reduction of

the dollar. I think that we have seen it already in the statistics. On a volume basis, as you probably know, there was a 16-percent increase in the first quarter of this year, and I would see, as one of my jobs, is to articulate this opportunity to the business community, that they have an opportunity to export profitably today. One of the things that I have noticed is that the business community and businessmen don't recognize how profitable it can be with today's level of the dollar and the other macro factors.

The CHAIRMAN. I think that is right. I think that is a very good point. Senator D'Amato?

Senator D'AMATO. Thank you, Mr. Chairman.

Mr. Cobb, I note with some interest, that you are a member of the Board of Directors and chairman of the Credit and Loan Committee at the Southeast Banking Corp. and the Southeast First National Bank of Miami.

Can you tell us something about the performance of the loan portfolio of that bank during your tenure, during that ten-year period of time.

Mr. COBB. It is a portfolio of about \$7 billion. It is invested primarily in the leading industries of Florida, since it is a Florida institution, and I think it has responded to the needs of Florida and it has grown with Florida's industries, as it's grown.

It also had about \$300 million of its portfolio in international credits, tied primarily to South American banks and South American businesses, and as those countries had financial problems, starting 2 and 3 years ago, it stopped its international lending, and as Senator Proxmire indicated, it also stopped lending for export-import financing, as a lot of other commercial banks have done, to protect the shareholders' interest. And that was the decision that that institution made, which was, I think, the right decision for its shareholders, but probably not in the national interest.

Senator D'AMATO. Well, you did anticipate my next question, and in view of your appearance here today for the position of Assistant Secretary for Foreign Trade Development, my next question was what can you tell us about the loans made by that institution to foreign nationals or companies and what other foreign investments, particularly any trade lending, did Southeast participate during your tenure, and on what basis?

Mr. COBB. Well, again, it was not a large dollar amount. I think it was in the \$300 million range for that institution, a \$10 billion institution; it was not significant.

And most of the lending was to governments. The actual government credits were in Brazil and Mexico. And some banks in Brazil and Mexico, a minor part to business enterprises. The institution really wasn't set up to do a number of direct business loans.

Senator D'AMATO. Well, could you provide for the committee something as it relates to the performance of the loan portfolio of the bank during your tenure?

I'd be interested in those foreign loans in particular.

Mr. COBB. I would say that it's fairly similar to the situation that all the major international banks have experienced and the bank has just recently put together a provision of about 35 percent, which was similar to the major money center banks.

So they have suffered losses because of those international loans.

Senator D'AMATO. I understand what you're saying, but would you attempt to provide for this committee in more detail a report with respect to the loan portfolio during your tenure, with particular emphasis on those foreign loans?

Would you submit that information to the committee?

Mr. COBB. Yes. Yes, I can do it in writing, if you would like. But, just generally, it's the high percentage to Brazil and Mexico. And to the extent those two countries have had economic problems, it was deemed prudent to put a reserve against those loans.

Senator D'AMATO. Well, I'm not faulting you for that. I think that many of the banks should have done that, and moved in that direction. And the chairman knows my sentiments as it relates to some of our world-renowned banks and their efforts in this.

But I'd like you to reply with a greater degree of particularity, if you would, and submit that information to the committee.

Mr. COBB. Yes, sir, Senator.

Senator D'AMATO. As to the portfolio and the losses.

Now, speaking of foreign investments, what can you tell the committee about foreign-derived deposits in the bank? In particular, what procedures, if any, did the bank employ while you were on the board of directors to investigate or screen cash deposits?

Mr. COBB. Senator, I don't have all the details on it. I know that a good percentage of the deposits were foreign deposits, particularly in the seventies and the eighties, I think.

I think the percentage dropped in the 1980's, as, again, many of those South American countries experienced economic difficulties, I think the deposits dropped materially.

Now, the second part of the question, of what kind of screening went on, I can't answer that because I'm not familiar with what kinds of screening the management of the bank did regarding those deposits.

Senator D'AMATO. Would you provide us with that information?

Mr. COBB. And I will give you that in writing, yes, sir.

Senator D'AMATO. Let me pursue this by asking you what due diligence procedures did the bank employ regarding cash transactions in general?

Mr. COBB. Well, I know there's certain Federal laws as it relates to cash transactions, particularly as it relates to the concern for drug money. And I know that our audit committee of our bank reviewed that carefully. But I don't know those specific procedures.

I'll get that in writing, too, if you'd like it, Senator.

Senator D'AMATO. Did your institution come under review by any of the Federal authorities or local authorities as it related to cash deposits flowing in from foreign sources and other sources?

Mr. COBB. I think it was in excess of 5 years ago that there was a concern at one point by the Federal Reserve that there was improper documentation and that there needed to be a greater emphasis on documentation.

And I—

Senator D'AMATO. You are aware of the fact then that there was some review with respect to your institution as it related to the—to cash deposits and cash transactions from abroad?

Is that correct?

Mr. COBB. Yes, but I think it was several years ago, if I recall correctly, Senator.

Senator D'AMATO. Would you kindly review your records, those of the bank that you were associated with, to provide us that information? I mean, are you still a member of that?

Mr. COBB. I have resigned subject to my confirmation, so I am still technically—

Senator D'AMATO. So that you're still chairman of the Credit and Loan Committee?

Mr. COBB. No, I resigned at the last meeting as the chairman of the Credit and Loan Committee.

Senator D'AMATO. When was that? That's fairly recent.

Mr. COBB. Yes, a week ago.

Senator D'AMATO. All right. Well, again, and I don't mean to be pushing you for questions at this point in time, or for answers that you may not be able to provide, because it's rather difficult to go back 2, 3, 4 years.

But I'd like you to submit to this Committee any questions that were raised by the Federal or other authorities as it related to those cash transactions, whether they be domestic, and particularly those that may have come in from foreign sources.

Would you do that?

Mr. COBB. Yes, sir.

Senator D'AMATO. Because I understand there was some kind of investigation of some type. Is that true?

Mr. COBB. I think so, but I'm not sure. If my recollection was right, it was approximately 5 years ago and the Federal Reserve Board said that the bank was not documenting its cash transactions properly. We got that as a report from our audit committee.

I think you're right, but I don't have the specifics on it.

Senator D'AMATO. And then my next question would be, if you know, what due diligence procedures did the bank employ regarding those cash transactions in general?

And I understand that you don't have that information now, but if you could provide it, I'd be—and I know the committee would be appreciative.

Mr. COBB. Yes, sir.

Senator D'AMATO. On page 5 of your questionnaire, you refer to an application to the Federal Home Loan Bank Board regarding the acquisition of control of a savings and loan association.

Are you aware of that?

Mr. COBB. Yes, sir.

Senator D'AMATO. Now, I may have missed something, but I'm not sure that I find any other details about that transaction in the materials provided to the committee.

Could you clarify this and describe the transaction, if not otherwise disclosed?

Was there any other thing that wasn't disclosed?

Mr. COBB. I think there is a subsidiary, called Cobb Financial, shown. And Cobb Financial made an application to the Federal Home Loan Bank Board for approval on an institution called Brickellbane, in Miami, to gain control of that institution.

There are three or four contingencies in that application. And the management of that institution have not been able to satisfy

those contingencies. They relate to minimum net worth. They relate to satisfying several loans.

And so that transaction has not gone forward.

Senator D'AMATO. Is there any litigation involved in that transaction?

Mr. COBB. There is litigation between the institution and several of its borrowers, but there is no litigation that I know of involved between my subsidiary company and its purchase. I don't think there's any litigation involved there at all.

Senator D'AMATO. In the materials provided to the committee at attachment five, you refer to a number of legal actions in which you are named defendant, arising out of your association with the Arvida Corp.

I have two questions. Would you please elaborate on the reference to, quote, "the series of suits against you brought by the homeowners at the Boco West Resort"?

And, second, you did not mention any actions involving you relating to your association with the Southeast Bank Corp. or its subsidiaries, or any savings and loans.

Is it, therefore, accurate to say that none exist, to your knowledge?

Mr. COBB. To answer the second question first, Senator, it's my understanding that there is no litigation against me personally in anything relating to Southeast Bank, or any other items than mentioned here.

On the first question, Boco West is a resort community that Arvida developed starting in the early 1970s. It has four golf courses, 35 tennis courts, and a large clubhouse.

Approximately 2 years ago, at the request of several of the homeowners, Arvida sold those recreation facilities, the golf courses, to the homeowners. And approximately 5 percent of those homeowners objected to how that was done and the procedures of that, and sued Arvida, the Walt Disney Co., its parent, and several of us personally.

And that has been in litigation for about a year.

Senator D'AMATO. Does that have something to do with they got charged for the clubhouse itself?

Mr. COBB. Excuse me?

Senator D'AMATO. Some of the people who had use of the clubhouse then had to find themselves in a position where they had to pay for it?

Mr. COBB. Yes. In other words, the issue was that it originally was owned by Arvida and, under this procedure, the golf courses and clubhouse would be owned by the homeowners.

Senator D'AMATO. I'd appreciate very much if you would furnish us with the information that we requested.

I have, Mr. Chairman, one or two other questions that I'd like to submit for the record.

The CHAIRMAN. Fine. Thank you very much, Mr. Cobb.

Mr. COBB. Thank you, Mr. Chairman.

The CHAIRMAN. From your appearance, you certainly seem to be a very-well-qualified candidate. And I know you would do a fine job when you are approved, and I'm sure you will be.

Thank you very much.

Mr. COBB. Thank you.

The CHAIRMAN. Our next and last nominee this morning is Roger Martin.

And, Mr. Martin, we are delighted to see you.

Mr. MARTIN. Thank you.

The CHAIRMAN. Will you raise your right hand?

[Whereupon, Mr. Martin, was duly sworn by the chairman, Mr. Proxmire, and testified as follows:]

**ROGER F. MARTIN, OF WISCONSIN, TO BE A MEMBER OF THE
FEDERAL HOME LOAN BANK BOARD FOR THE REMAINDER OF
THE TERM EXPIRING JUNE 30, 1989, VICE LEE H. HENKEL, JR.,
RESIGNED**

The CHAIRMAN. Mr. Martin, you have already been introduced, and with a glowing recommendation by Senator Kasten.

If you would like to make an opening statement, go right ahead.

Mr. MARTIN. Very briefly, Senator, first, I'd like to answer your question—if I was a masochist—I don't think so, although my wife, Ann, who I've been married to for 37 years, is with me today and she has questioned my judgment on many occasions.

In regard to the appointment, I—

The CHAIRMAN. Is your wife, Ann, she's in the room?

Mr. MARTIN. Yes.

The CHAIRMAN. Oh. So nice to have you here. Very good. Delighted.

Mr. MARTIN. I really feel it's an honor and a privilege to serve. I certainly feel that with my experience with MGIC, with a major building products manufacturer and Federal Home Loan Bank in Chicago, that I understand all of the problems. Hopefully, I understand the problems—and the opportunities as well.

Thank you.

The CHAIRMAN. If confirmed, do you agree that you will appear before congressional committees if requested to testify?

Mr. MARTIN. Yes.

The CHAIRMAN. And do you pledge to this committee to abide by the recusal statement and commitments made to avoid conflicts of interest that you have filed with the White House and Office of Government Ethics, as well as the agency you're nominated to serve?

Mr. MARTIN. Yes.

The CHAIRMAN. OK. Now, there's some voices within the administration who are saying that the thrift institutions are obsolete.

What are your views on the long-run viability of thrift institutions? And can the thrift industry survive as a specialized mortgage lender? Or should we be thinking of phasing out the industry?

Mr. MARTIN. I think it is a necessity that the thrift industry does survive. It was created to provide home ownership opportunities for the American people. And I feel that we must work to make the industry survive.

The CHAIRMAN. They've done a remarkable job. As I understand it, nearly 70 percent of our people own their own homes. That's a tremendous record considering the diversity of our population.

And you hit it right on the nose. This is certainly the mission, and it's a specialized mission. And I think they do a fine job.

Some students of the thrift industry have argued that even the \$25 billion program recommended by the administration is woefully inadequate and that \$40-50 billion will eventually be needed to do the job.

What is your view on this? Do we have a \$25 billion program, or is it more in the range of \$40-50 billion?

Mr. MARTIN. Senator, I have not had the opportunity to have a lot of this privileged information made available to me. I have to admit that until I have the other side of the story from the Bank Board, I can't judge exactly how much money is required.

Obviously, we do need some money. And of course there is another very logical question:

How soon can you spend the money?

And so I just can't answer without the other side of the story from the Bank Board.

The CHAIRMAN. Well, you're right, it is a problem of how fast. We were told at one point by the administration that they could spend about \$3.5 billion a year, or I should say raise about \$3.5 billion a year under the circumstances.

And the way we've done it, this isn't an appropriation, as you know, it's a matter of the FSLIC raising it. So there is that tough limitation.

We've been criticized severely, vigorous criticism in the New York Times and the Washington Post, denouncing our FSLIC recap bill. But we provided the—they had a vote in the House and a strong vote for \$5 billion. We provided \$7.5 billion in the Senate.

Unfortunately, the committee did not go along with the proposal for \$10 billion, which I favored. But it's very tough on the industry itself. It's a tough proposition. The higher you get it, the more people are going to get out of the industry in the long run.

So it's a very, very difficult situation. I don't know of any major agency that's been in the kind of trouble the Federal Home Loan Bank Board is in, so you're coming in at a time when you're going to have a very, very tough series of problems.

Let me ask you this. Do you believe that we eventually will have to merge FSLIC and FDIC insurance funds?

And, if so, what would that mean for maintaining a separate system of thrift institutions?

Mr. MARTIN. I would suspect that if you would merge the insurance agencies, there would be a danger of merging the regulatory bodies also, eventually, you're pulling together the banks and the savings and loans.

From my vantage on the Federal Home Loan Bank in Chicago, it certainly seems like you could not possibly merge the agents in the supervision area. I don't know about the insurance area. I question whether the FDIC would even want to take over the FSLIC Insurance Fund if it's as bad as it's portrayed.

The CHAIRMAN. Well, that's right. You do have that resistance. There's no question they're very reluctant in the banks—very reluctant—to have their insurance agency, which is, they feel, relatively sound, to merge with an agency that has lots of liabilities.

So that is a problem. But the ultimate victim is likely to be the taxpayer if we have a bail-out.

Mr. MARTIN. Or the consumer.

The CHAIRMAN. We have to be deeply concerned about that.

Mr. Martin, there's been a great deal of debate on the propriety of thrifts making investments directly into speculative projects. Many people feel that this is one of the reasons why they're in such difficulty, along with the fact that, in some parts of the country, the economy is very rocky—in Texas and Oklahoma, because of the oil situation; in Iowa because of the agriculture situation.

But, beyond that, that there has been terrific speculation here and bad management. And that we shouldn't permit that kind of deregulation.

How do you feel about it?

Mr. MARTIN. Well, again, I suspect it's possible I may change my mind. But I believe that, first of all, I do support the direct investment rule. I must admit I do question how we can allow savings and loans, for example, to participate in commercial loan schemes.

I don't think that's the purpose of the savings/loans. The problem becomes that you have a lot of well-managed associations and then you have some that aren't well-managed. And, unfortunately, we try to put in rules for all of them.

And we've got to separate that with, as Chairman Wall says, the 80/20 concept.

I question some things, from my experience again on the Bank Board, of why savings and loans do some of these things other than generate income.

And as I say, it's kind of heads, they win and tails, the FSLIC loses.

The CHAIRMAN. And you do favor the direct investment rule, which means that you do favor a limitation on direct investment?

Mr. MARTIN. Yes.

The CHAIRMAN. It's good to hear that because I agree with you. Unless we have that limitation, we're going to be in even deeper trouble in the future.

You feel that one of the most important ways we can get on top of this situation is to have more thorough and vigorous examination. That's what I understand why you indicated that perhaps the Home Loan Bank Board could use some of the staff experts in the FDIC.

Mr. MARTIN. The—yes, let me clarify that. I feel that when the Board put the agents and the supervisors out into the field, that it was a major step forward.

Obviously, they can, with the proper number of people there, with the proper types of examinations, they can begin to get some of these people in what I would clarify or call the early warning stages.

And I feel that we can benefit from that.

The CHAIRMAN. Now, Mr. Martin, liquidating assets of sick thrifts efficiently is going to be a crucial task of the Federal Home Loan Bank Board. Eighteen months ago, the Bank Board created the Federal Asset Distribution Association, known as FADA, F-A-D-A.

This is a private organization formed to take advantage of private sector expertise and liquidating assets.

To measure its effectiveness last month, I asked the General Accounting Office to do a comparative of FADA, FSLIC, and FDIC.

Last week, the Washington Post ran a lengthy story questioning FADA's usefulness generally, including complaints that it has worked to slow liquidation—slow liquidation rather than to speed it.

As someone expert in asset quality, I assume you followed the genesis of FADA. What are your opinions so far? Do you think this is a good idea?

Mr. MARTIN. I honestly don't know. I might point out that Chairman Wall, as you know, has selected three leading people in the industry to come in for advice and counsel on this entire question of, first of all, how can we more efficiently and effectively handle the money that will come to us under the capitalization bill.

And, second, how these three groups work together, if they should work together.

And I'd like to point out that he asked me as a board member if I would play the major role with that task force to study this basic problem. Is it effective? How could we make it effective? Or, what changes do we need to make, you know, to do this effectively and efficiently?

The CHAIRMAN. Do you know Jerry Levy?

Mr. MARTIN. Yes, sir.

The CHAIRMAN. Past President of the U.S. League. He, as you know, is the Kenosha man.

Mr. MARTIN. Please?

The CHAIRMAN. He, as you know, is a Wisconsin man. He is from Kenosha. And I'm very proud of him. He's done, I think, a superb job in this area. I found him a source of real knowledge and understanding in this area. And I hope you'll have a chance to, if you don't have already, a chance to talk with him at some length, because I think he can be very helpful.

Mr. MARTIN. I just had lunch with him last week. And he is a very valuable source of information, and I also believe very objective.

The CHAIRMAN. He's one of the finest trade association executives that I know. He's no longer the head of it. He was. He's retired now. But he has a great deal of wisdom and good judgment. And he has some fine ideas in this area that are realistic and practical, as I'm sure you do. I'm sure you'll do a fine job. We're delighted to have you. And it makes me proud to be a Wisconsin Senator to have you appointed.

Mr. MARTIN. Thank you, sir.

The CHAIRMAN. Especially with your fine wife.

Mr. MARTIN. Thank you, sir.

The CHAIRMAN. Thank you very much.

The committee will stand in recess.

[Whereupon, at 12:48 p.m., the committee adjourned, subject to the call of the Chair.]

[Response to written questions and biographical sketches of nominees follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: COBB CHARLES ELVAN (JR)
(LAST) (FIRST) (OTHER)
 Position to which Assistant Secretary for Trade Development Date of
 nominated: Department of Commerce nomination: 18 JUN 1987
 Date of birth: 9 May 1936 Place of birth: Fresno, California
(DAY) (MONTH) (YEAR)
 Marital status: Married Full name of spouse: Sue McCourt Cobb
 Name and ages of children: Christian McCourt Cobb Born 1963
Tobin Templeton Cobb Born 1964

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	Stanford University	1960-62	M.B.A.	June 1962
	Stanford University	1954-58	B.A.	June 1958
	Fresno High School	1950-54	High School Diploma	June 1954

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

- ☐ Admitted to the Junior Achievement Hall of Fame (1987)
- ☐ Selected by the Royal Palm Foundation as one of the South Florida's Achievers of the Decade (1987)
- ☐ Selected by Harvard Business School Club of South Florida as Business Statesman of the Year (1986)
- ☐ National Conference of Christians and Jews Silver Medallion award for Protestants by the Florida Chapter (1981)
- ☐ Voted Business Leader of the Year for Greater Miami in an election sponsored by the Miami News (1978)
- ☐ Man of the Year by the Real Estate Sales Directors in Florida (1978)
- ☐ Selected, along with Kemmons Wilson and Barron Hilton, as one of the three top chief executive officers in the nation in the hotel and real estate industry by Financial World. (1975)
- ☐ Member of U.S. Olympic Team as an alternate in the 110-meter high hurdles. (1960)
- ☐ Recipient of Floyd L. McElroy Scholarship at Stanford Business School (1960-62)

Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
See Attachment #1		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Chairman & Chief Executive Officer and Member of Walt Disney Company Board of Directors and Executive Committee	Arvida Disney Corporation 4700 SE Financial Center Miami, FL 33131	1984-87
Senior Executive Vice President, ~~Member of Board of Directors and~~ Chief Operating Officer	Penn Central Corporation 500 West Putnam Avenue Greenwich, CT 06836	1982-84
Group President of Penn Central (group includes Arvida, Six Flags, Great Southwest)	Penn Central Corporation 500 West Putnam Avenue Greenwich, CT 06836	1980-82
President and Chief Executive Officer	Arvida Corporation One Biscayne Tower Miami, FL 33131	1972-80
Group Executive (responsible for several subsidiaries)	Kaiser Aluminum and Chemical Corporation Kaiser Center Oakland, CA 94612	1964-72
Investment Research Analyst	Dodge & Cox ~~One Post Street~~ San Francisco, CA 94104	1962-64
LT(JG)	U.S. Navy	1958-60

Government
experience:

- List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.
- o Member and Chairman, Florida's Columbus Hemispheric Trade Commission (1986-87)
 - o Member, Florida's Sales Tax Exemption Study Commission (1987)
 - o Member and Chairman (elect), Florida Department of Commerce (1978-82)
 - o ~~Economic Development Advisory Council~~
 - o Accompanied governors on six economic development missions (1974-82)
 - o ~~to Europe, South America and various U.S. cities~~
 - o Member, Governor's Resource Management Task Force (1979)
 - o Represented Florida as a member of the Southern Growth Policies Board (1974-78)
 - o Represented Governor of Florida at the White House Conference (1976)
 - o on Balanced Growth and Economic Development
 - o Member, Governor's Economic Policy Task Force (1978)

Published
writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political
affiliations
and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

- o Republican committees at national, State of Florida, and county levels
 - o Republican Eagles
 - o Republican Senatorial Committee Inner Circle
 - o Co-chairman of Florida Finance Committee, George Bush for President
-
-

Political

contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

See Attachment #2

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

See Attachment #3

Future employment
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes - See attached Recusal Statement dated 30 June 1987 (Attachment #4)

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Absolutely No Plans

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Both Southeast Bank Corporation and Bankers Life (Nebraska) have deferred plans for Directors' compensation. As a Director of both of these companies, I participated in these standard plans that were available for all Directors. The essence of both plans is that the Directors' fees are put into a fund that has an interest rate similar to the interest rate that both institutions earn on their total investment portfolio. These funds are taxable to the Director when the Director receives the funds at a later date.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

See Recusal Statement dated 30 June 1987 (Attachment #4)

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

The Penn Central Corporation and the Walt Disney Company have had many transactions with the Federal Government during the past 10 years, but I have not participated personally in these transactions. The only potential conflict that I can anticipate in this area is the possibility of Disney being involved in a World's Fair or other exposition that might be administered by Trade Development. This possibility is discussed in the above Recusal Statement.

The only personal involvement I have had with the Federal Government is an application before the Federal Home Loan Bank Board to assume control of a Savings and Loan Association.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

See Recusal Statement dated 30 June 1987 (Attachment #4)

Civil, criminal and
investigatory
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

See attachment #5

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

ATTACHMENT #1

<u>Organization</u>	<u>Office Held</u>	<u>Dates</u>
University of Miami	Trustee, Vice Chairman of Board, Chairman of Executive Committee, Finance Committee, Long Range Planning Committee and other committees	1973 - 1987
Stanford University	Trustee of Business Trust Fund, Advisory Council of Business School, President of two alumni associations	1965 - 1987
Plymouth Congregational Church	Board of Trustees, Chairman of Long Range Planning Committee	1975 - 1986
Florida Chamber of Commerce	Board of Directors and Executive Committee	1973 - 1987
Greater Miami Chamber of Commerce	Board of Directors, Executive Committee, Chairman of Greater Miami Inc.	1973 - 1982
Florida Council of 100	Board of Directors, Executive Committee, Chairman of Industry and Commerce Committee	1975 - 1987
South Florida Coordinating Council	Chairman, President, Board of Directors, Executive Committee	1975 - 1987
Orange Bowl Committee	Member	1979 - 1987
Young Presidents Organization	Member	1970 - 1986
Urban Land Institute	Trustee, Board of Governors, Council Member	1978 - 1987
Lincoln Institute of Land Policy	Trustee	1979 - 1987
Florida Citizens for Better Transportation	President	1980 - 1983
Southeast Banking Corporation, Southeast Bank and Southeast First National Bank of Miami	Board of Directors, Chairman of Credit and Loan Committee	1977 - 1987
Bankers Life (Nebraska)	Trustee	1979 - 1986
CLC of America	Board of Directors	1976 - 1980
Phi Delta Theta Fraternity (at Stanford University)	President	1957 - 1958

ATTACHMENT #2

Political contributions:

1987:	Fund for America's Future	\$ 5,000
	Vice President's Exploration Account	1,000
1986:	Florida Republican Victory Committee	5,000
	Republican National Committee (EAGLES)	10,000
	Claude Pepper	500
	Orrin Hatch	500
	Boo Martinez for Governor	2,000
	Republican Party of Dade County	1,000
	Fund for America's Future	5,000
	Judge Leah Simms	500
1985:	Friends for Bob Graham	2,000
	Re-Elect Paula Hawkins	2,000
	Republican Senatorial Inner Circle	1,000
	Walt Disney Company PAC	1,000
	Fund for America's Future	5,000
1984:	Reagan-Bush Republican Party of Dade County	1,000
1983:	Askew for President	1,000
	Penn Central PAC	500
1982:	Terry Miller for Governor (Alaska)	500
1980:	Democratic Party of Florida	500
	Reagan for President (FL Victory Committee)	1,000

ATTACHMENT #3

Qualifications of Charles E. Cobb, Jr. to be
Assistant Secretary of Commerce for Trade Development

A. Senior Management Experience:

Twenty five years of successful leadership and top management experience at three multi-billion dollar corporations: (a) Walt Disney Company and subsidiaries; (b) Penn Central Corporation and subsidiaries; (c) Kaiser Aluminum and Chemical Corporation and subsidiaries;

- (a) Disney: Chairman and Chief Executive of Real Estate Subsidiaries, Board of Directors and Executive Committee.
- (b) Penn Central: Chief Operating Officer, Board of Directors, Group President, C.E.O. of subsidiaries.
- (c) Kaiser: Group Executive, President and General Manager of subsidiaries.

B. Diverse industry background:

- (1) The above three companies are in almost 100 different global businesses and industries.
- (2) My early career at Dodge & Cox was as an investment and financial analyst studying many different global industries.
- (3) Early training included experience at Citibank, Bank of New York, and Brown Brothers Harriman studying different industries.
- (4) Economics and finance training at Stanford included many different global industries.

C. Extensive international marketing, production and finance experience:

- (1) Implemented marketing programs, managed production facilities, and negotiated financing in Japan, Western Europe, Canada, and South America.
- (2) Chairman of Credit and Loan Committee for Southeast Bank which is one of the largest international lenders in the Southeastern United States.

ATTACHMENT #3

Qualifications (Page 2)

D. Creation and implementation of many successful marketing and promotion programs:

- (1) Hotels, housing, and entertainment programs at Disney, Kaiser, Arvida and Six Flags.
- (2) Industrial programs at Penn Central and Kaiser.

E. An active leader in Florida's successful effort to become the most competitive state in the Union regarding economic development (Florida was ranked by Grant Thornton in their annual survey as the best state to do business from 1981 to 1983):

- (1) Chairman of the committee that produced the Fantus Report which Governor Graham, the Florida Legislature and the business community implemented in the late 1970's.
- (2) Served as a chairman, president or executive committee member of the Florida Chamber of Commerce, the Florida Council of 100, the South Florida Coordinating Council, and Florida Citizens for Better Transportation which are key business organizations improving Florida's competitive position.
- (3) Traveled with Florida's Governors Graham and Askew to cities in Europe, North America and South America to promote Florida's economy and businesses.
- (4) Gave many speeches throughout Florida and testified frequently before Florida legislative committees on what Florida needed to do to increase its competitiveness.

ATTACHMENT #4

June 30, 1987

MEMORANDUM FOR: S. BRUCE SMART
UNDER SECRETARY FOR INTERNATIONAL TRADE

FROM: CHARLES E. COBB *CEC 76*
ASSISTANT SECRETARY FOR TRADE DEVELOPMENT,
DESIGNATE

SUBJECT: RECUSAL STATEMENT

I have been nominated by President Reagan to the position of Assistant Secretary for Trade Development, International Trade Administration (ITA), United States Department of Commerce. Some of my financial holdings include business entities which may have dealings with ITA and which could involve action by me, if confirmed as Assistant Secretary. To avoid a conflict of interest or the appearance of a conflict, I, upon confirmation and on assuming my official duties, will refrain from personally and substantially participating in matters which could have a direct and predictable effect on the business entities in which I, my wife, or our dependent children have a financial interest. I will also refrain from participating in matters concerning organizations in which I or my wife hold positions.

This recusal covers the below-described companies, limited partnerships, partnerships, and other entities in which I, my wife, or our dependent children have a financial interest, or my wife or I hold a position:

- o Amerifirst Savings & Loan
- o AMGIC 1984 G Ltd. (an oil and gas limited partnership)
- o AMGIC Research and Development Ltd. (a limited partnership which, in conjunction with Nicholas Institute, sells medical kits to hospitals)
- o ATICO Financial Corporation
- o Bankers Life (Nebraska)
- o Brentwood Village Associates (a limited partnership that owns an apartment complex in North Carolina)
- o CGW Associates, Ltd. (a limited partnership that owns a winery located in California)
- o Cobb Family Foundation (a foundation that makes contributions to various educational and other charitable organizations)
- o Cobb Financial Corporation (savings & loan and real estate finance)
- o Cobb Partners (real estate development)
- o Cobb Partners, Inc. (real estate development and mortgage banking)

- o Countrywood II Associates (a limited partnership that owns an apartment complex in Tampa, Florida)
- o Florida Columbus Hemispheric Trade Commission (administers and coordinates celebrations of the 500th anniversary of Columbus' expedition)
- o Fundamental Resources Ltd. (limited partnership whose portfolio consists of newly emerging growth companies)
- o Greenburg, Traurig, Askew, Hoffman, Lipoff, Rosen & Quental, P.A. (Mrs. Cobb will take a leave of absence from this law firm during the period of time that I serve as assistant secretary. She will receive no compensation or distribution from the law firm for the period of this leave of absence.)
- o Knight Ridder Newspapers
- o Riva Leasing Co. (a limited partnership engaged in leasing equipment)
- o Sloane Leasing Partners (a limited partnership engaged in leasing equipment)
- o Southeast Banking Corporation
- o Sucobbco, Inc. (a company engaged in developing townhouses in Colorado)
- o Taft Broadcasting Company
- o Tottenham Leasing Partners (a limited partnership engaged in leasing equipment)
- o Urban Land Institute (education and research institute for the real estate industry)
- o The Walt Disney Company

On or about the day when I am confirmed and assume my official duties, I or my wife will sell or otherwise extinguish any financial interest that we (jointly or severally) or our dependent children have in the following assets:

- o ATICO Financial Corporation
- o Knight Ridder Newspapers
- o Southeast Banking Corporation
- o Taft Broadcasting Company.

I have also made a demand on Bankers Life (Nebraska) for earned but retained director's fees which I believe will be disbursed to me on or about January 1, 1988. Neither my wife, our dependent children, nor I own any stock in this company.

In the event my participation in a particular matter concerning a company or organization in which I have an interest or hold a position is necessary in the interests of the Government, I shall divest myself of the asset or resign the position or seek a waiver of the applicable Federal conflict of interest provision under 18 U.S.C. 208(b) before participating in such a matter.

cc: Douglas A. Riggs
J. Michael Farren
Immediate Staff of the Assistant Secretary
for Trade Development
Deputy Assistant Secretaries
in the Office of the Assistant Secretary
for Trade Development
Marilyn G. Wagner

ATTACHMENT #5

Several times during the past 15 years the officers or directors of Walt Disney Company or Penn Central or their subsidiaries have been sued personally at the same time the corporation has been sued. Most of these suits have been resolved. An exception is a suit filed September 30, 1986 (Zell vs Cobb, et al.) by a former Arvida Realty Sales, Inc. employee against Arvida, Arvida Realty Sales, Inc., Charles Cobb, other Arvida employees, and other entities arising out of: (1) the leveraged buyout of Arvida from Penn Central Corporation, in which plaintiff was not allowed to participate, (2) for wrongful termination. Cobb is named as defendant in only one count, which alleges "tortious conspiracy" by Cobb and others in connection with the leveraged buyout. The plaintiff's first claim for tortious conspiracy was dismissed by the Court without prejudice to Plaintiff again attempting to state a valid cause of action. Cobb and the other defendants have moved to dismiss Plaintiff's amended complaint. That motion is pending. Plaintiff's claims that relate to the leveraged buyout seek 2 million dollars in compensatory damages and punitive damages. His other claims seek in excess of \$400,000 in compensatory damages and punitive damages. Arvida's counsel and Arvida's insurance carrier's counsel are representing Arvida and all the executives of Arvida that have been sued personally. All claims are covered by insurance. In another series of suits between Arvida Corporation and a group of homeowners at an Arvida resort called Boca West, I have been personally named as a defendant in one of the suits.

I have not been a defendant or been the subject of any other inquiry except as discussed above.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Martin LAST Roger FIRST Francis OTHERPosition to which nominated: Board Member - FHLBB Date of nomination: _____Date of birth: 16 December 1927 DAY MONTH YEAR Place of birth: Cincinnati, OhioMarital status: Married Full name of spouse: Ann Curran MartinName and ages of children: David, 36 Geoffrey, 29Timothy, 34Amy, 31

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	1) <u>Xavier University</u>	<u>09/45 to 05/52</u>	<u>BSBA</u>	<u>May, 1952</u>
	<u>Evening Division</u>			
	<u>Cincinnati, Ohio</u>			
	2) <u>Columbia University</u>	<u>1966</u>	<u>-</u>	<u>-</u>
	<u>Executive Training Program</u>			
	<u>New York City, New York</u>			

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Memberships:

List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Federal Home Loan Bank of Chicago	Board Member	01/84 to Present
Pope Scientific, Inc.	Chairman & Director	04/82 to Present
Milwaukee Institute of Art and Design (MIAD)	Chairman & Board Member	05/79 to 05/85
Saint Anthony Hospital	Vice Chairman of the Board	06/82 to ?
Alverno College	Board Member	11/80 to 10/82

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

Mortgage Guaranty Insurance Corporation	270 East Kilbourn Ave. Milwaukee, WI 53202	Executive	11/74 to Present
Air Line Pilots Association	1625 Massachusetts Ave. N.W. Washington, DC 20036	General Manager	03/69 to 11/74
Mesonite Corporation	One South Wacker Drive Chicago, IL 60606	Assistant to President	03/68 to 03/69
		General Manager, Fabricating Division	03/66 to 03/68
		General Manager Cincinnati Plant	02/60 to 03/66
		Assistant General Manager	02/57 to 02/59
		Divisional Controller	02/57 to 02/59
Cooperative Industries, Inc.	Blue Ash, Ohio	Controller and Assistant to President	1947 to 1957

7/1/87

Government
experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Director and Chairman - Presidential Advisory Committee on Pension Benefits

Guaranty Corporation (PGC) from July 1982 to February 1987 (Chairman from July 1983 to February 1987).

Published
writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political
affiliations
and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Have held no official offices have, however, been head of the Wisconsin Republican

Party Founders Club, been Finance Chairman for various fund raisers and activities

served on Finance Committees in Wisconsin for Senator Kasten, Governor Dreyfus,

Congressman Sensenbrenner and Congressman Roth and candidates Terry Kohler and

George Watts.

Political

contributions:

Itemize all political contributions of \$500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

It is difficult for me to go back eight years and identify specific political
contributions. I do not keep cancelled checks unless they are tax deductible.
I can on the reverse side list the contributions of \$500.00 or more that I can recall. (over)

Qualifications:

State fully your qualifications to serve in the position to which you have been named.
 (attach sheet) (on Reverse Side)

Future employment
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

No.

3. Has anybody made you a commitment to a job after you leave government?

No.

4. Do you expect to serve the full term for which you have been appointed?

Yes.

POLITICAL CONTRIBUTIONS

Prior to 1986, major items that I can remember over \$500.00 have been:

- Ronald Reagan, Campaign Committees 1980 and 1984, approximately \$1,000.00 each year.
- Approximately \$500-750 each year since 1976 to the Republican Party of Wisconsin.
- \$1,000.00 to Senator Kasten for 1980 election.

1986:

- Senator Kasten - \$500.00 completed pledge of \$2,000.00 over 4 years, \$1,000.00 each from myself and my wife.
- Vice President Bush - \$1,000.00. (*Fund of America*)
- Congressman Toby Roth - \$500.00.
- Republican Party of Wisconsin - \$750.00 to \$1,000.00.
- Congressman Sensenbrenner - \$500.00.
- George Watts, candidate for Governor - \$900.00.

1987:

- Senator Dole - February 1987 - \$500.00.
- Republican Party of Wisconsin - January - April - \$500.00.

QUALIFICATIONS

1. Have knowledge of the industry having a work record which includes twelve years with a major building products manufacture, twelve and one-half years in the financial guarantee industry working closely with the thrift industry and having served three and one-half years as a Director of the Federal Home Loan Bank-Chicago.
2. A proven record of over forty years as a successful manager.
3. Have the reputation of a person who can understand and deal with complicated, technical problems as well as opportunity.
4. Educated and trained as an Accountant.

Potential conflicts
of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

Pursuant to Restricted Stock Purchase Agreement and a Shareholder's Agreement, I will be treated as a retired employee (Section 401), freezing value of stock at \$1,000 per share (its value as of 12/31/86) to be paid 408 shares on retirement, 227 shares in June 1988, and 271 shares in June 1989, at the frozen price. The future payment of the stock will be insured by me through a third party. This was fully described and reviewed by the Office of Government Ethics, Ms. Jane Lay.

Also, upon retirement I will be eligible for retirement benefits pursuant to the company pension plan.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None - Any stocks or bonds that are determined by the Government Ethics Office as

potential conflicts will be sold no later than 30 days after confirmation.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None.

2/1/89

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

As a public member and Chairman of the Advisory Committee of the Pension Benefit Guaranty Corporation, I have made three or four visits on the Hill within the last four months to discuss with staff members of various committees involved with ERISA legislation, reviewing a white paper prepared by the Advisory Committee representing their concerns with the PBGC and their suggestions for legislative changes. These visits were made while in Washington, D.C. doing business for Mortgage Guaranty Insurance Corporation, my employer. The point being is that I was not acting for PBGC or reimbursed by PBGC for either time or expenses. (CONTINUED ON REVERSE SIDE)

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Not Applicable.

Civil, criminal and
investigatory
actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None.

11/14/87

(continued) 4. Beginning with the Summer of 1986, I spent numerous days in Washington working with MGIC's tax lobbyist, and our tax accountant, as well as staff members of various congressmen and senators. This was done as an employee of Mortgage Guaranty Insurance Corporation in regard to Section 832.E of the tax code, which was deleted from the current tax reform legislation.

QUESTIONS FOR CHARLES COBB BEFORE THE

SENATE BANKING COMMITTEE

JULY 22, 1987

- very good answer*
1. MR. COBB, YOU HAVE HAD A LENGTHY AND SUCCESSFUL CAREER IN INVESTMENT FINANCE AND MARKETING. I HAVE READ YOUR STATEMENT. WHAT IN PARTICULAR IN YOUR BACKGROUND SHOULD SUGGEST TO US THAT, AT A TIME WHEN THE CONGRESS IS WORKING ON A NEW AND FAR REACHING TRADE BILL AND TRADE AND TRADE DEVELOPMENT ARE AMONG THE GREATEST CHALLENGES FACING THIS NATION AND THE UTMOST EXPERTISE IS CALLED FOR, YOU ARE QUALIFIED FOR THIS POSITION?
 2. I NOTE WITH INTEREST THAT YOU WERE A MEMBER OF THE BOARD OF DIRECTORS AND CHAIRMAN OF THE CREDIT AND LOAN COMMITTEE AT THE SOUTHEAST BANKING CORPORATION AND THE SOUTHEAST FIRST NATIONAL BANK OF MIAMI. CAN YOU TELL US SOMETHING ABOUT THE PERFORMANCE OF THE LOAN PORTFOLIO OF THAT BANK DURING YOUR TENURE?

IN VIEW OF YOUR APPEARANCE HERE TODAY FOR THE POSITION OF ASSISTANT SECRETARY FOR TRADE DEVELOPMENT, WHAT CAN YOU TELL US ABOUT LOANS MADE BY THAT INSTITUTION TO FOREIGN NATIONALS OR COMPANIES? IN WHAT OTHER FOREIGN INVESTMENTS -- PARTICULARLY ANY TRADE LENDING -- DID

SOUTHEAST PARTICIPATE DURING YOUR TENURE AND ON WHAT BASIS?

3. SPEAKING OF FOREIGN INVESTMENT, WHAT CAN YOU TELL THE COMMITTEE ABOUT FOREIGN-DERIVED DEPOSITS IN THE BANK? IN PARTICULAR, WHAT PROCEDURES, IF ANY, DID THE BANK EMPLOY WHILE YOU WERE ON THE BOARD OF DIRECTORS TO INVESTIGATE OR SCREEN CASH DEPOSITS? WHAT "DUE DILIGENCE" PROCEDURES DID THE BANK EMPLOY REGARDING CASH TRANSACTIONS IN GENERAL?
4. ON PAGE 5 OF YOUR QUESTIONNAIRE, YOU REFER TO AN APPLICATION TO THE FEDERAL HOME LOAN BANK BOARD REGARDING THE ACQUISITION OF CONTROL OF A SAVINGS AND LOAN ASSOCIATION. I MAY HAVE MISSED SOMETHING, BUT I'M NOT SURE THAT I FIND ANY OTHER DETAILS ABOUT THAT TRANSACTION IN THE MATERIALS PROVIDED TO THE COMMITTEE. COULD YOU CLARIFY THIS AND PLEASE DESCRIBE THE TRANSACTION IF IT IS NOT OTHERWISE DISCLOSED?
5. IN THE MATERIALS PROVIDED TO THE COMMITTEE AT ATTACHMENT 5 YOU REFER TO A NUMBER OF LEGAL ACTIONS IN WHICH YOU ARE A NAMED DEFENDANT ARISING OUT OF YOUR ASSOCIATION WITH THE ARVIDA CORPORATION. I HAVE TWO QUESTIONS: WOULD YOU PLEASE ELABORATE ON THE REFERENCE TO THE "SERIES" OF SUITS AGAINST YOU BROUGHT BY THE HOMEOWNERS AT THE BOCA WEST RESORT? SECOND, YOU DO NOT MENTION ANY ACTIONS INVOLVING YOU RELATING TO YOUR ASSOCIATION WITH SOUTHEAST

3

BANK CORPORATION OR ITS SUBSIDIARIES, OR WITH ANY SAVINGS AND LOAN ACQUISITION. IS IT, THEREFORE, ACCURATE TO SAY THAT NONE EXIST OR TO YOUR KNOWLEDGE ARE IMMINENT ?

15:49 EXECUTIVE OFFICES SOUTHEAST BANK MIAMI PHOENIX-771-7417 2.01

Southeast Banking Corporation

Thomas R. Woolsey
Senior Vice President
Senior Counsel
and Corporate Secretary

July 23, 1987

Mr. Charles E. Cobb, Jr.
c/o United States Department of Commerce
International Trade Administration
Washington, D.C. 20230

Dear Mr. Cobb:

I reviewed the questions relating to Southeast Banking Corporation raised yesterday by Senator D'Amato during the course of your confirmation hearing. I have collected and will list below information which I believe is responsive to the questions. For your convenient reference, I will repeat each of the questions which you provided to me.

1. What has been the performance of the Bank's loan portfolio, particularly international loans? What was the source of these loans?

During your tenure as a Director for Southeast Banking Corporation or its principal banking subsidiary commencing on January 16, 1975, the loans of Southeast Banking Corporation have grown from \$1,664,650,000 to \$7,781,516,000. For the Second Quarter of 1987, the average balances of the loans (stated as dollars in millions) by source were Commercial, \$3,046.5; Real Estate, \$2,719; Individuals, \$1,117.6; Credit Cards, \$561.6; and International, \$304.5. We believe that our loan portfolio is performing in a satisfactory manner and at a level generally comparable to the performance of the loan portfolios of other commercial banks of similar size in the United States.

2. What was the source of foreign based deposits?

Southeast's foreign based deposits by country group as of June 30, 1987, expressed as a percentage of the total foreign deposits, were approximately as follows: Europe, 5%; Canada, 1.25%; Latin America and Caribbean, 92.6%; Asia, .7%; Africa, .3%; and Total Other Countries, .01%.

2.97 15:49 EXECUTIVE OFFICES SOUTHEAST BANK MIAMI 104901-375-7317* F.01

3. How did the Bank screen deposits, particularly cash deposits?

Following the enactment of the Bank Secrecy Act and the issuance of regulations thereunder, procedures were adopted by Southeast to comply with the currency transaction reporting requirements of that Act. The most recent version of those procedures were approved in April of 1987 by the Board of Directors of Southeast Bank, N.A. This approval was made in accordance with the regulations issued by the Comptroller of the Currency pursuant to the Anti-Drug Abuse Act of 1986. I am forwarding to you under separate cover the Currency Transaction Reporting manual which was approved by the Board.

4. What questions, if any, have been raised by federal authorities with respect to the bank's operations, particularly with respect to cash transactions?

The only formal federal regulatory agency action taken with respect to Southeast's compliance with the reporting requirements for large cash transactions under the Bank Secrecy Act occurred in January of 1981. At that time, Southeast First National Bank of Miami and the Comptroller of the Currency entered into an agreement to institute improved procedures to accommodate the volume of reports so as to completely comply with the Bank Secrecy Act. As a result of strict internal control procedures implemented by Southeast management and assurances of management that its internal control, training of employees and other safeguards would continue, the Comptroller and the Bank terminated the Agreement in March of 1983. To my knowledge, no other formal action has been taken against Southeast by any federal regulatory agency with respect to cash transactions.

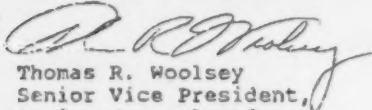
5. What "due diligence" procedures were employed by the bank with respect to cash transactions?

Our due diligence procedures with respect to cash transactions, including our audit procedures, are contained in the Currency Transaction Reporting manual referred to above. The information in this Manual should be responsive to any questions which might be raised regarding our current procedures in the cash transaction area.

In addition, this letter will confirm my earlier advice to you that there is no litigation or other proceedings against you in your capacity as a Director of Southeast Banking Corporation or Southeast Bank, N.A. which is pending or, to my knowledge, threatened by any party.

I hope that the foregoing information is sufficient to allow you to respond to the issues raised by Senator D'Amato. If I can provide you with any additional information, please do not hesitate to contact me at any time.

Very truly yours,


Thomas R. Woolsey
Senior Vice President,
Senior Counsel and
Corporate Secretary

TRW:bh

Sent Via Telecopier



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Congressional
and Intergovernmental Affairs
Washington, D.C. 20501

July 24, 1987

Mr. Steve Wallace
Legislative Assistant
Office of the Honorable Alphonse D'Amato
United States Senate
Washington, D.C. 20510

Dear Steve,

On Wednesday, at Chuck Cobb's confirmation hearing, Senator D'Amato asked two questions requiring follow up responses. The first was of several parts relating to the activities of Southeast Banking Corporation and the second involved a pending lawsuit against the Boca West Club. I have enclosed copies of responses Chuck has received from Thomas Woolsey, the Senior Vice President of Southeast Bank; and James Beasley, the attorney who represents Chuck in the Boca West matter. (I do not have originals; both were telexed to us.). I trust both of these responses will satisfy Senator D'Amato's interests.

I also became aware, after the fact, that we encountered some unintended procedural problems with your office regarding this nomination. I believe these were innocent errors on our part, but I'd like to discuss them with you. I'd appreciate your calling me at your convenience; I'd like to come up and meet with you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerry".

Gerald J. McKiernan

BEASLEY, OLLE & DOWNS

Law Offices

8700 Southeast Financial Center
200 South Biscayne Boulevard • Miami, Florida 33131-2793

July 24, 1987

Telephone (305) 571-5400
Telex 441-808 • Cable Beasley

Charles E. Cobb, Jr.
c/o United States Department of Commerce
International Trade Administration
Washington, D.C. 20230

Dear Mr. Cobb:

In response to Senator D'Amato's question at your confirmation hearing concerning the two pending lawsuits involving Boca West Club, I am providing the following summary of the record in this litigation.

Boca West is a residential community developed by Arvida Corporation and located in Boca Raton, Palm Beach County, Florida. Arvida began selling residential units and lots in Boca West in 1972. The Boca West Club is located within Boca West. The facilities of Boca West Club consist of golf courses, tennis courts, aquatic facilities, and related social and recreational amenities.

From the inception of Boca West, and up until July 1985, the Boca West Club facilities were owned by Arvida and use of the Boca West Club facilities was available to residents of Boca West by the purchase of annual memberships. The members had no voice in or control over the management or operations of Boca West Club, and Arvida reserved the right to cancel any or all memberships in Boca West Club at any time. Prior to July 1985, use of the Boca West Club facilities was also available to residents of other Arvida communities in the Boca Raton area and guests of other Arvida resorts.

In July 1985, Arvida sent to all Boca West property owners a document entitled Plan for the Offering of Memberships in Boca West Club, Inc. The Plan described the terms of a transaction by which Arvida had caused to be formed a not-for-profit corporation called Boca West Club, Inc. and by which Arvida had transferred or would transfer to Boca West Club, Inc. the facilities of Boca West Club in exchange for 4000 equity memberships in the newly-created Club.

Under the Plan, only the property owners of Boca West were given the opportunity to buy equity memberships in the Club. Use of the Club would no longer be available to residents of other Arvida communities. Also, the Plan provided for the formation of a members' advisory committee and set forth the terms by which the equity Club members would ultimately assume control of the operations and management of the Club after Arvida had sold all of its new units in Boca West.

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Law Offices

Charles E. Cobb, Jr.
July 24, 1987
Page 2

The Plan required Boca West property owners wishing to purchase equity memberships to do so prior to September 25, 1985. The Plan specified that, in the event the number of memberships sold was not sufficient, in Arvida's opinion, Arvida had the ability to terminate the Plan at any time prior to September 25, 1985.

Following promulgation of the Plan on July 25, 1985, Arvida entered into negotiations with representatives of the Boca West Homeowners Association, which negotiations culminated on August 9, 1985 with the signing of a document entitled Clarification of Membership Plan Documents. This "Clarification Agreement" modified the Plan in several respects in response to comments from homeowners. It set up an Advisory Committee which was given the power to jointly decide, along with the Club's Board of Governors appointed by Arvida, on specific matters relating to the Club's operations and finances. Additionally, Arvida agreed to place \$2 million in a Capital Fund for use in making capital improvements to the Club facilities and to set aside a portion of the proceeds of the sale of certain memberships, for a total of at least another \$1.5 million, to be received by the Club at the time Arvida turned over full control of the Club to its members. Also on August 9, 1985, as part of the agreement by which Arvida agreed to make the concessions contained in the Clarification Agreement, the Homeowners Association issued an Endorsement Letter praising Arvida for its good faith participation in the negotiations and encouraging other homeowners to subscribe to the Plan, as modified by the Clarification Agreement. Having obtained the Endorsement of the Homeowners Association, Arvida received membership subscriptions from over 97% of the homeowners, and the Plan became effective on October 1, 1985.

On January 2, 1986, several homeowners filed a class action lawsuit against Arvida, Arvida's parent company The Walt Disney Company, and certain of its employees, seeking to rescind the Plan. You were not named as a party to that lawsuit. That action, entitled Bernhardt v. Arvida, was filed in state court in Palm Beach County, Florida. Through the course of two amendments to their complaint, the plaintiffs added claims based on Arvida's operation of the resort rental program at Boca West and based on Arvida's failure to relinquish control of the Boca West Maintenance Association, the master homeowner association in Boca West. The plaintiffs' claims related to the Plan are essentially based on alleged misrepresentations by or on behalf of Arvida as to the right of Boca West homeowners to use the Club facilities without being required to purchase equity memberships in the Club.

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Page 3

The defendants in the Bernhardt case have asserted counterclaims against the plaintiffs, as well as Paul Levine, president of the Boca West Homeowners Association, including claims for fraud, defamation, and conspiracy. The counterclaims allege that the plaintiffs' and Mr. Levine's actions in inducing Arvida to make the concessions reflected in the Clarification Agreement were fraudulent, in that the plaintiffs and Mr. Levine had no intention of abiding by that Agreement, but knew that they were going to renege on the Agreement and attempt to coerce Arvida into rescinding the Plan. The counterclaims include a RICO counterclaim against Paul Levine. It is alleged that he in particular intended to and did defraud Arvida, and that his actions in connection with the Plan were part of a pattern of racketeering activity evidenced by Levine's prior conviction for misapplication of funds in a business venture in Pennsylvania and on his alleged acts of mail and wire fraud in connection with his endorsement of the Plan. Levine moved to dismiss the RICO claim against him, but the court denied that motion and the claim is currently pending.

The Bernhardt suit is currently in the discovery stage. The court denied the plaintiff's motion to certify the suit as a class action, and the suit is now pending as an individual action by the four named plaintiffs. There is also currently pending an appeal by Disney on the grounds that the Florida court lacks jurisdiction over Disney, a Delaware corporation.

On May 27, 1987, one of the plaintiffs in the Bernhardt action, Harold Sampson, filed a separate lawsuit in federal court in Miami against Arvida and the other Bernhardt defendants, naming as additional defendants JMB Realty Corporation, Boca West Maintenance Association, Inc., and you. The substance of the claims in the Sampson action are similar to those in the Bernhardt action, with the addition of claims that the proposed sale of all of the assets of Arvida to JMB will effectively terminate all contractual relationships presently existing between Arvida and the Club and will require control over the Club to be turned over to the homeowners immediately rather than, as previously agreed, upon sale of all units in Boca West.

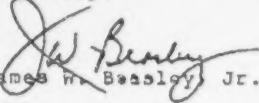
The Sampson complaint also includes a federal RICO count against the Arvida employees named as defendants, including you. The allegations against you and the other individual defendants are based solely on these individuals' actions in their capacity as present or former employees of Arvida. The basis of the RICO count is that the selling of the Plan to the homeowners of Boca West constituted mail fraud.

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Charles E. Cobb, Jr.
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Page 4

The defendants in the Sampson moved to dismiss the complaint. In response to that motion, the plaintiff served an amended complaint on July 23, 1987. The amended Sampson complaint names two additional individual defendants involved in the operations or management of the Club. The allegations as to you were not amended. It is anticipated that we will again move to dismiss all counts of the amended complaint, including the count in which you are named as a defendant. We believe you have meritorious defenses to this action.

Sincerely,



James W. Beasley, Jr.

